



Minutes City Council's Finance, Economy & Veterans' Affairs Committee February 20, 2007

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, February 20, 2007, 3:00 p.m., in the 3rd Floor Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Chris Anaradian, Development Svcs Mgr
Cmdr Tim Bulson, Police Department
Carlos de Leon, Deputy Public Wrks Mgr
Tom Duensing, Deputy Financial Svcs Mgr
Jerry Hart, Financial Svcs Mgr
Don Hawkes, Water Utilities Mgr
Glenn Kephart, Public Works Mgr
Mark Richwine, Parks and Rec Mgr
Nancy Ryan, Rio Salado Mgr
Chris Salomone, Community Dev Mgr

Guests Present:

Katie Nelson, AZ Republic
Chris Wilson, DTC

Vice Mayor Hutson called the meeting to order at 3:00 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 2 – Water and Wastewater Development Fees 0910-05

Vice Mayor Hutson asked for explanations on Sections 4.2 and 5.1, Appendix A, Item #11, and page A-3, Items #3, 14 and 16.

Don Hawkes provided the following information:

- Section 4.2 is based on inflation. It could be an estimate of an annual increase of 5% forever. Staff proposes to come back on an annual basis to look at the impact of

construction costs and improvements in the capital improvement program to make sure costs are covered.

- Vice Mayor Hutson suggested adding to Council's presentation that the 5% is an annual cost to keep it whole.
- Mr. Hawkes explained that the annual increase equal to inflation is assumed to be a straight 5% every year. If we wait two years, then it is compounded to 10.25%. That's why staff is recommending it to be on an annual basis.
- Item #11 is the conversion to membrane at the South Tempe Water Treatment Plant.
- A-3, item #3, is the Southern Avenue Interceptor (SAI) which is a major multi-city sewer line from the Mesa border all the way to the Phoenix border. It was installed as sacrificial concrete back in the late 1960's. Sacrificial concrete does not work in wastewater applications so this is a rehab using a "cured in place" pipe.
- A-3, Item #14, is a multi-phase project. The Salt River Outfall flows into the north shore of Tempe Town Lake. It is over-subscribed and almost at capacity, so the proposal is to put equalization storage at some point in the system, where at peak flow times wastewater flow would be taken off, kept treated, and then during non-peak times, metered back into the system down to the 91st Avenue Wastewater Treatment Plant.
- A-3, Item #16, is a unified plant, a future expansion of 91st Avenue Wastewater Treatment Plant.

DIRECTION: Staff was directed to move this to Council at IRS on 3/1/07, with Notice of Intent to Council at the Formal Meeting on 3/1/07 to start the clock on fees being changed.

Agenda Item 3 – Building Safety Fees Study 0210 - CF

Chris Anaradian summarized that the building safety fees have not been adjusted since 2001. Development Services service levels have improved and there have been increases across the Valley in building safety and other impact fees. Eight project types were studied and Tempe is just below the median of other Valley cities. Mesa and Chandler might be looking at increasing their fees. Staff recommends the following:

- A 10% increase in Building Permit/Plan Review fees.
- Consolidate Mechanical, Electrical, and Mechanical Permits with the Building Permit.
- Develop "Flat Rate" Fees for specific items, such as swimming pools, patio covers, and electrical service replacements.
- Provide incentives to improve plan review submittals and reduce cycles before approval.
- Collect fees for additional work to help manage projects through plan review and inspection.
- Annual Fees Adjustment tied to Consumer Price Index (CPI).
- Option to create a document control and storage management system.
- Option to create a Building Safety Fee rebate program for improvements on existing residential property. Annual impact estimated at \$110K @ 50% rebate.
- Option to create a Building Safety Fee rebate program for improvements on existing buildings that use the International Existing Building Code.

Councilmember Mitchell asked whether the 5% rebate includes single family homes.

Mr. Anaradian responded that the 5% rebate program for commercial development would apply to recent buildings that are rehabilitated. Tempe has a competitive advantage in that we adopted the rehab portion of the building code. Staff would like to market that and to provide incentive to rehab existing buildings. The 50% rebate program would apply to the modification of existing single family homes to encourage people to finish the projects they start to keep the housing stock revitalized. Staff proposes that the project be finished within a year.

Councilmember Mitchell stated he would like to have more discussion on the 50% single family resident program to prevent homeowners from using the rebate to turn houses into rentals.

Vice Mayor Hutson directed staff to take the recommendations to Council, but in the annual review, staff should work with Jerry Hart to work on costs.

Mr. Anaradian added that staff's goal is not to recover costs, but just to keep up.

DIRECTION: Staff to take to IRS at the same time as Water/Wastewater Development Fees and return to Committee for further discussion.

Agenda Item 4 – Planning Appeal Fees

0210-05

Chris Anaradian summarized:

- Currently, variances for single family development are \$360 per lot and use permits are \$360 each. Staff proposes use permits and variances for a single family residential request require a single fee of \$360 per lot.
- Appeals from a decision are currently \$309. Citizen-requested appeals are proposed at \$100.

Mr. Anaradian also proposed a change on Appendix H, page H-3, under j. Appeals, changing "citizen requests" to "resident requests." He continued that the request does not have to be tied to an application on the residential property, but where Tempe residents are aggrieved and bring forth an appeal, their fee would be \$100. This is rare, with only a few each year, but staff would like to reduce the barrier, since the \$309 was a hardship.

DIRECTION: Staff directed to bring forward proposed modifications to the City Council on March 22, 2007, for further consideration.

Agenda Item 5 – Lake User Fees

0210-06

Nancy Ryan summarized that staff is requesting a change in lake use fees. New activities have changed the perception of how the lake is used. The new recommended fees are:

- Water Recreation for Youth - single day activity boating would be \$1 per person.
- Swim for Training or Competition - fee for events with 200 or less competitors would be \$200; fee for events with more than 200 competitors would be \$200 plus \$1 per person for each person over 200, with a cap of \$1,000. Multiple sessions would be \$100 for each additional session.
- Free Demonstrations, Open to the Public - free of charge, to encourage recreation activities.
- Fees collected are used for improvements to the lake.

- Boat permit Fees – A city boat permit is required, in addition to the normal State boat registration. Staff recommends increasing all fees by \$5, regardless of the boat. For example, for a Tempe resident, rate would increase from \$5 to \$10 per year, non-residents from \$25 to \$30.

Vice Mayor Hutson asked why the non-profit is charged \$20 per day, and the concessionaire only \$15 per day, when the concessionaire is for-profit?

Ms. Ryan responded that it is due to the quantity of concessionaire boats, probably 60 or 70.

Vice Mayor Hutson recommended changing the concessionaire rate to the non-Tempe resident rate of \$30 per year. He asked staff to advise Council that it was his recommendation, not the committee's recommendation.

DIRECTION: Staff was directed to evaluate a change of the boat permit fee for concessionaire boats from \$10 to \$30 per year per boat, and to move forward to Council IRS.

Agenda Item 6 – Dock Policy 0112 - 07 - 03

Nancy Ryan summarized that there have been a number of requests to allow the development of private docks on the lake. Staff also asked for discussion on allowing public on-water storage as well as private on-water storage. A dock policy work group was established last summer, including members of Rio Salado staff and various City staff and the following recommendation were made:

- Supports rented private docks and rented docks for the general public, with preference to Tempe residents and businesses.
- 30% of the docks to be used by residents at Town Lake; 30% used by Tempe residents at large; 40% used by Tempe businesses or non-residents.
- Currently, there are 1164 boat permit holders and 60 to a maximum of 100 on-water boat slips are recommended.
- Areas would be primarily east of the Rural Road bridge and on the west end of the lake. May consider some day-use docks with no on-water storage.
- Features would include places to store materials, water spigots with de-chlorination, dock lights, and some electric recharge stations.
- Lease or rental agreements would be much like other marina rental space.
- Preference for aluminum docks with PVC surface, to be removable in emergency situations.
- Establish a CIP account, and have developers contribute for private docks.
- Rental rates for on-water storage targeted for cost recovery.
- No docks placed at boat landings used for tours or future water taxi service.

Ms. Ryan continued that the next step would be to move forward with an RFQ for a marina designer to prepare a design for the west end of the lake. Staff recommends the west end as the first case study.

Vice Mayor Hutson asked staff to look very carefully at the emergency removal. He asked about private storage and long-term leases for commercial entities. He didn't agree with private docks with ownership interest in the lake, but rather supported leasing.

Ms. Ryan responded that typically the leases would be for one year, based on annual renewals. There would be no ownership interest in the lake.

DIRECTION: Staff was directed to take to Council at an IRS.

Agenda Item 7 – DTC Parking Rates & Fees Proposal 0109-30

Carlos de Leon summarized the DTC parking rate recommendations:

- Parking Meter Rates – Last adjusted in 1996. Increase would match ASU's current meter rate and help DTC achieve 85% occupancy goal.
- Excess Revenue – Revenue to be used for downtown parking improvements or social services/non-profits in the downtown.
- Parking Violation Fees – Changing to a tiered system to encourage early payment.
- Meter Management – Addition of a five-minute grace period for changing meter time limits based on demand and location.

Vice Mayor Hutson suggested taking each item independently.

Chris Wilson, DTC, noted that ASU recently conducted a study and found that 1800 students drive downtown with no permit. It has taken them from an effective parking rate of 85% to an effective parking rate of 102%.

Vice Mayor Hutson suggested discussing excess revenue, parking violation fees and meter management at a later time.

DIRECTION: Move forward on parking meter rates to IRS at this time.

Agenda Item 8 – Traffic Control Fees 0210-05

Carlos de Leon summarized the traffic control fees and staff's recommendations:

- Cost Recovery for traffic control services associated with construction and maintenance activities in City right-of-way should be based on combination of flat and variable fees:
 - Flat Fee – main revenue
 - Variable – encourages contractors to work during off-peak hours
- Violation Fees – be used to gain compliance with City traffic control requirements and not relied upon for cost recovery
- Sidewalk and bike lane closure fees used to encourage contractors to minimize disruption to pedestrian and bicycle system and should not be relied upon for cost recovery.

Mr. de Leon continued that the following combination of fees would achieve a cost recovery for City's traffic control services:

- Flat Fees - \$50 traffic control review plan; \$75 approval fee; \$12K annual approval fee for public utilities.

- Variable Fees – Apply to travel restrictions on major arterials, weekday travel, by the amount of roadway capacity restricted and number of days restriction is in place.
- Restrictions occurring during weekday peak travel would require staff approval.
- Fees would not apply to weekend, holiday and night travel restrictions.

DIRECTION: Forward to Council at IRS.

Agenda Item 9 – OPEB Update

0203 - 02 - 01

Jerry Hart summarized that on June 15, 2006, Council referred the Other Post Employment Benefit (OPEB) to this committee. The committee recommended looking at changes to the benefits package for new hires first, and then looking at the current employees. No changes were recommended to current retirees. A proposed plan for newly hired employees was presented at the October 17th committee meeting. Staff was directed to meet with the employee groups to review the proposed changes. The City of Phoenix has proposed changes to their retiree health plan, effective 8/1/07, and staff now presents some revisions to their previous recommendations.

Tom Duensing summarized that, based upon the City of Phoenix plan, the following revisions are proposed in two options:

- Option 1 – New Hires:
 - Set a monthly subsidy for retirees based on years of service at retirement toward health costs.
- Option 2 – New Hires:
 - Establish a Medical Savings Account (MSA) and fund at \$175/month throughout active employment. The employer contributes on behalf of each employee a certain dollar amount into a deferred account which earns interest. At retirement, the employee uses this account to offset healthcare premium costs. An advantage is, upon termination, that money goes with the employee.

Mr. Duensing added that staff would like the benefit consultant to compare and contrast Options 1 and 2 and determine that the options are roughly equal in value. Based on what the consultant finds, staff would like to return to the committee, do a review of the findings, and hopefully forward this issue to Council at IRS.

Vice Mayor Hutson stated that based on findings, staff should go back to employee groups first.

Mr. Duensing summarized the City of Phoenix plan.

- Split their employee group.
- For any employee within 15 years of retirement eligibility, no change to retiree health plan.
- For any employee outside that 15-year window, the City will contribute a set \$150/month into a medical savings account that will earn interest and the money can be used upon retirement. They will have to fully pay the health premium out of that account. Once the account is depleted, the responsibility falls on the employee. The medical savings account is portable and will follow the employee. The earned interest is tax-free, but it must be used for medical costs.

- Currently, Tempe pays 100% of a retired employee's healthcare costs. The amount the beneficiary pays can vary depending upon what kind of coverage, such as dependent coverage, PPO plan. The City of Phoenix retiree's out-of-pocket cost ranges from \$200 and \$800 per month.

Mr. Duensing added that the City of Phoenix is "unbundling" their rates. This means that each person pays a different premium based on age, gender, and job. If there are more increased costs for the retiree population and the premiums increase 8%, for example, and the employee premium goes up 2%, the 8% would be added to the retirees. Everyone pays their fair share. An \$18M rate stabilization fund has also been established. With an 8% increase for retirees and 2% for employees, if the Health Trust Committee determines that will be too much of an impact, they can tap the \$18M rate stabilization fund and smooth the increase.

Vice Mayor Hutson added that the City of Phoenix spent almost a year putting this together. It included the employee groups, management teams, and employee representatives and it has been approved by all representatives before it was initiated. He added that Tempe's plan needs to be done before the end of the fiscal year.


DIRECTION: Staff was directed to go back and talk to employee groups and return to this committee for direction.

Agenda Item 10 – Future Agenda Items

- Golf Fee Study

Meeting adjourned at 4:20 p.m.

Prepared by: Connie Krosschell
Reviewed by: Jerry Hart



Jan Hart
City Clerk